

50



KARILEE S. RAMALEY
Senior Attorney
Telephone: (602) 250-3626
Facsimile: (602) 250-3393

2003 APR -4 P 4: 40

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCUMENT

April 4, 2003

APR 04 2003

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

DOCKETED BY	<i>nee</i>
-------------	------------

Re: SECONDARY PROCUREMENT PROTOCOL UNDER DOCKET NOS. E-00000A-02-0051, E-01345A-01-0822, E-00000A-01-0630, and E-01933A-02-0069

Dear Sir or Madam:

Pursuant to Decision No. 65743 (March 14, 2003), Arizona Public Service Company ("APS") was ordered to file for Commission approval a Secondary Procurement Protocol. APS hereby submits the attached Secondary Procurement Protocol in substitution for the document filed with the Commission on March 31, 2003. The attached protocol includes changes to clarify the Company's filing of that date.

If you or Commission Staff have any questions, please feel free to call me.

Sincerely,

Karilee S. Ramaley
Senior Attorney
Attorney for Arizona Public Service Company

Attachment

cc: Docket Control (Original, plus 18 copies)
Parties of Record
Alan Kessler, Independent Monitor

APS • APS Energy Services • Pinnacle West Energy • SunCor • El Dorado

Law Department, 400 North Fifth Street, Mail Station 8695, Phoenix, AZ 85004-3992
Phone: (602) 250-3630 • Facsimile (602) 250-3393 • E-mail: Karilee.Ramaley@pinnaclewest.com

APS Energy Services and APS are subsidiaries of Pinnacle West Capital Corporation; however, APS Energy Services is not the same company as APS.
You do not have to be an APS Energy Services customer to receive quality regulated services from APS.

Arizona Public Service Company

Secondary Procurement Protocol

March 30, 2003

Pursuant to Arizona Corporation Commission ("Commission") Decision No. 65743 (March 14, 2003), APS proposes the following Secondary Procurement Protocol to meet the objectives of the Decision while maximizing APS' ability to reliably meet native load retail customer needs at the lowest reasonable cost.

Protocol

APS will procure for its native load retail customers energy and capacity not acquired through the Initial Track B Competitive Procurement Process through one or more of the methods listed below. The decision to use any specific one or combination of such methods in a particular instance, however, will be at APS' sole discretion.

1. Purchases through third party, on-line trading systems, which may include one or more of the following: Intercontinental Exchange ("ICE"), Bloomberg, California Independent System Operator, New York Mercantile Exchange, or other similar on-line third party systems.
2. Purchases from qualified, third party independent energy brokers.
3. Purchases through an Internet-based descending clock auction administered by APS.
4. Bilateral contracts with non-affiliated entities.
5. Bilateral contracts with affiliated entities. If APS proposes to procure energy or capacity from an affiliate through a bilateral contract, however, APS will, through its Competitive Procurement Website, provide non-affiliated entities an opportunity to respond to any proposed contract before executing the transaction. Any purchases from the PWEC Arizona assets shall be consistent with their dedication to APS' native load retail customers and the Commission's determination not to prejudice their inclusion in APS' rate base.

6. Any other procurement process approved by the Commission.

Scope

This Secondary Procurement Protocol shall apply only to:

- Energy and capacity for native load customers not acquired through the Initial Track B Competitive Procurement Process and not required for emergencies or to satisfy APS' obligations under the Commission's Environmental Portfolio Standard.
- Native load physical hedge transactions required to manage APS system load energy and reliability risk.

Code of Conduct Compliance

APS and any affiliate providing capacity or energy as a result of this Secondary Procurement Protocol shall comply with applicable Codes of Conduct.